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Industry News

### Developments on US Section 232 Investigation Report on Autos and Auto Parts

Members engaging in autos and auto parts business may wish to note the latest development on the US Section 232 investigation report on autos and auto parts.

2. In response to the report submitted on 17 February 2019 from Commerce Secretary Wilbur Ross on whether imported autos and parts pose a national security threat under Section 232, President Trump has 90 days to decide whether to act on the recommendations.
3. The report is not being made public, but sources suggest that the report recommendations possibly include:
  - (a) 25% tariff on autos / parts imports;
  - (b) 10% tariff on autos / parts imports (to match the European Union (“EU”)'s 10% tariff on auto imports);
  - (c) 10-25% tariff on certain narrowly-defined “types” of autos / parts that incorporate automated, connected, electric and shared vehicle technologies; and
  - (d) carving out certain facilities, specifically autos / parts imported from certain named facilities, that will not be subject to the new tariff.
4. President Trump sees the threat of auto tariffs as an important bargaining chip in upcoming trade talks with Japan and EU. EU on 18 February 2019 was quick to threaten retaliation against (“United States”) US products if Washington slaps tariffs on its cars.
5. Reaction from the US auto industry has been negative (please refer to the table below). We will report again if there is any development.

Institution	Response
Motor and Equipment Manufacturers Association	No company in the domestic auto industry requested this investigation.
American Automotive Policy Council	The tariffs will harm the domestic industry.
American International Automobile Dealers Association	The threat of tariffs will bring uncertainty to the dealership industry and lead to rising vehicle and repair costs as well as slashing sales.
Center for Automotive Research (CAR)	Several scenarios analysed by CAR suggesting that potential tariffs will cause significant harm to the auto industry.

**International Affairs Committee**  
**Federation of Hong Kong Industries**  
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